

15 April 2026

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Investment Idea / IPO Note

5E Resources Holdings Berhad

Turning Waste into Gains

By Crystal Chin


IPO Price:
Fair Value:
BUY
RM0.26
RM0.34

5E Resources Holdings Berhad (5ER: 0397), provides scheduled waste management services to customers operating within the manufacturing industry. We project 5ER to register core net earnings of RM31.1m and RM40.3m for FY26F and FY27F. BUY with a fair value of RM0.34 based on 17x PER over FY26F EPS, underpinned by capacity-driven earnings growth, wide SW code coverage, and a margin profile that outperforms peers.

The near-term earnings catalyst is the PLO 321 facility in Kawasan Perindustrian Pasir Gudang, Johor, a new facility commencing in 2HCY26 that we expect to contribute modest earnings this financial year. Our FY26F core net earnings forecast of RM31.1m is driven by this new capacity combined with sustained volume growth from existing Johor operations. Over the longer term, 5ER is extending its footprint beyond Johor into Perak with a facility targeted for commencement in 1HCY30 thus broadening its geographic reach and capacity runway.

With 34 licensed scheduled waste (SW) codes, 5ER is among only 18 operators nationwide out of 373 licensed players, who are authorised to manage over 30 types of SW, placing it in the top 5% of the industry by coverage. This broad SW code coverage also gives 5ER the flexibility to serve a diverse customer base as it enters into new geographical areas. More compellingly, 5ER's net margin of 27.2% in FY24 stands significantly above most peers, where margins commonly range from low single digits to loss-making, reflecting its operational efficiency and pricing power derived from its broad service offerings.

5ER has demonstrated resilient profitability, with net margin ranging between 27% to 30% over the historical financial years, well above most industry peers. We forecast FY26F net margin of 28%, reflecting our conservative assumptions on operating costs as new facilities ramp up. Over the medium term, 5ER's in-house laboratory and R&D capabilities serve as a structural cost advantage, supporting continued optimisation of recovery and recycling methods and underpinning margin resilience as the group scales.

The government's Circular Economy Blueprint (2025–2035) and tightening Department of Environment enforcement on industrial waste disposal further reinforce structural demand growth for licensed scheduled waste operators like 5ER, with financial incentives including the Green Investment Tax Allowance (GITA) and Green Technology Financing Scheme (GTFS) reducing the cost of capital for facility investments.

We like 5ER for its: (i) healthy balance sheet with net cash position, (ii) top 5% SW code coverage nationally with a superior margin profile relative to peers, and (iii) clear capacity expansion roadmap across new geographical areas.

KLCI	1,688.12
YTD FBM KLCI change	+0.48%
YTD FBM SC Index change	-3.94%

Stock Information

Market Cap Upon Listing (RM'm)	400.40
Enlarged Share Capital (m)	1,540.00
Shariah Compliant	Yes

IPO Proceeds (RM'm)

Part finance the construction of the New Perak Facility	24.00
Part finance the purchase of machinery and equipment of the New Perak Facility	34.00
Working capital	14.77
Estimated listing expenses	6.40

Total	79.17
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Major Shareholders

GreenEdge	18.28%
Loo Sok Ching	18.76%
Wong Kim Fatt	14.42%

Summary Earnings Table

FY Dec (RM'm)	2024A	2025A	2026F	2027F
Revenue	80.1	80.1	110.3	134.9
EBIT	27.6	28.1	40.3	52.2
Pretax profit	29.2	29.9	42.6	55.1
PATAMI	21.8	21.8	31.1	40.3
Core PATAMI	21.8	21.8	31.1	40.3
Consensus	-	-	-	-
Core EPS (sen)	1.4	1.4	2.0	2.6
EPS growth (%)	-8%	0%	43%	29%
DPS (sen)	0.3	0.4	0.0	0.0
PER (x)	18.4	18.4	12.9	9.9
BV/Share (RM)	0.21	0.23	0.25	0.28
ROE (%)	24.1%	10.4%	6.5%	8.4%
Div. Yield (%)	1.2%	1.4%	0.0%	0.0%

Sources: Prospectus, Rakuten Trade Research



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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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